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RUEHKO/AMEMBASSY TOKYO 3272
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RUEHGP/AMEMBASSY SINGAPORE 1600
RUEHLO/AMEMBASSY LONDON 1909
RUEHDN/AMCONSUL SYDNEY 3948
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SUBJECT: AUSTRALIAN REGULATOR GRANTS LIMITED ACCESS TO
FROZEN FUNDS

REF: A. CANBERRA 1103

[B](#). CANBERRA 1076

[C](#). CANBERRA 1072

[D](#). CANBERRA 1036

[E](#). CANBERRA 1020

[1](#). (SBU) Summary: Australian regulators on October 31 announced new procedures to grant limited access for investors to their frozen mortgage funds. Funds faced problems before GOA announced bank guarantees, but the guarantees made their situation more uncertain. Financial industry response to ASIC's move has been generally positive. End summary.

[2](#). (U) Late on Friday October 31 the Australian Securities and Investments Commission (ASIC) announced new procedures to allow limited access on a case-by-case basis for investors to frozen mortgage trusts, changing regulations that required all investors to be treated equally. Specifically, they will be allowed to take out A\$20,000 (US\$13,400) plus half of their remaining investment; the Investment and Financial Services Association (IFSA) says the average balance of these funds is A\$50,000. Such relief will be granted only on a case-by-case basis of hardship, if the investor is unable to meet immediate living expenses, on compassionate grounds (i.e., funeral costs, serious illness, to prevent foreclosure on family home), or if the investor faces permanent incapacity.

[3](#). (U) ASIC Chairman Tony D'Aloisio commented that the decisions by funds to freeze of billions of dollars worth of investment funds including mortgage trusts (reftels) were useful because they prevent withdrawals from destabilizing the funds, adding that a freeze does not mean the asset has lost value nor that investors won't get their money back. He said the freeze "is a prudent measure". Treasurer Wayne Swan on November 1 praised the decision, and again refuted Opposition and industry claims that the GOA decision to guarantee bank deposits (reftels) had caused the freeze, saying "There were at least 10 funds that had suspended redemptions before the Government took its decision on the bank guarantee." Industry sources said it would be difficult to tell how many investors would qualify for such consideration, but generally have responded positively. IFSA CEO Richard Gilbert called it an "excellent decision" for funds that still remain low on cash.

(SBU) Comment: An ASIC official told Embassy that the decision came after the usual round of consultations with other regulators. It wasn't strictly driven by the guarantee for bank deposits, since the GOA is accurate in stating that these funds were being targeted for redemption before PM

Rudd's October 12 announcement. But clearly the blanket and initially unlimited bank guarantee made an uncertain situation for these funds even worse, and the ASIC move is intended to sooth the jagged nerves of Australian investors and fund managers.

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